

Wisconsin State Legislature

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ALBERTA DARLING

317 East, State Capitol
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ASSEMBLY CHAIR
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Joint Committee on Finance *100TH ANNIVERSARY 1911 - 2011*

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative Robin Vos

Date: February 17, 2011

Re: SWIB Report to JFC

Attached is a quarterly report listing all expenses that were charged directly to funds managed by SWIB from the State of Wisconsin Investment Board, pursuant to s. 25.17(13m), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:RV:jm



RECEIVED
FEB 17 2011

February 15, 2011

BY: J. Finance

Senator Alberta Darling, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison WI 53707-7882

Representative Robin Vos, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison WI 53708-8952

Senator Robert Cowles, Co-Chair
Joint Committee on Audit
P.O. Box 7882
Madison WI 53707-7882

Representative Samantha Kerkman, Co-Chair
Joint Committee on Audit
P.O. Box 8952
Madison WI 53708-8952

Mr. Michael Huebsch, Secretary
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864

Dear Senator Darling, Senator Cowles, Representative Vos, Representative Kerkman and Secretary Huebsch:

As required by Section 25.17 (13m), I have attached our quarterly report listing all expenses that were charged directly to funds managed by the State of Wisconsin Investment Board (SWIB) during the quarter ending December 31, 2010. In addition to the expenses charged to the funds, the report also contains a comparison of assets managed internally and externally for the past four quarters.

The statutes authorize SWIB to employ special legal or investment counsel in any matter arising from the scope of our investment authority and to employ professionals, contractors or agents to evaluate or operate any property in which SWIB has an interest. SWIB may also contract with external advisers to manage various types of investments. Expenses for these services are directly charged to the current income of the fund for which the services were furnished.

This report lists expenses on an accrual basis – when the costs were incurred rather than paid. Providing the information on an accrual basis gives a better picture of quarter to quarter trends in services that are directly charged to the funds. A negative charge typically indicates an adjustment to expenses accrued in a prior quarter or a refund of expenses that were prepaid and subsequently adjusted.

The following highlights changes from the previous quarter:

- Private equity costs remained consistent with third quarter costs at \$23.3 million, which is about \$1 million over the average for the four quarters of 2010. The increased costs are primarily due to the fact that SWIB has made new private equity investments in the last two quarters. Although the depressed real estate market continued throughout 2010, SWIB

funded a new real estate deal in the fourth quarter, which accounted for higher management fees of \$400,000. However, total real estate fees remained fairly stable throughout the year at a little over \$9 million quarter to quarter.

- Overall fees for investment counsel, which includes research services and investment consulting costs, decreased by 6.5% from the third quarter. Legal fees, which vary depending on legal work performed during a given quarter, doubled in the fourth quarter due to legal work related to SWIB's negotiating agreements to manage counterparty risk on derivative trades.
- Fees for both the separate accounts and the commingled accounts were lower in the fourth quarter than the third. The reductions were due primarily to assets being moved to less costly externally managed portfolios and internally managed portfolios.

Attachment A lists all expenses by category. Attachment B provides further explanation about the various expenditure categories. Attachment C includes legal expenses that were capitalized at the time of acquisition or directly associated with the ongoing activity of an asset, such as appraisals or bankruptcy costs. Unlike other expenses listed in this report, these expenses are reflected in the value of the asset or are netted against gross returns of the asset, consistent with standard industry practices.

Attachment D shows that Wisconsin Retirement System (WRS) assets managed internally continued to increase from the prior quarter. At year-end of the fourth quarter 2010, SWIB was managing \$37.4 billion or 47.3% of assets internally compared to 45.6% at the end of the third quarter and 20.7% at the end of 2007. SWIB was able to contain overall costs and reduce public market costs by bringing more assets in-house for management after it received increased staff and budget authority in 2007 and 2008. The assets from an external international index fund (nearly \$5 billion) are scheduled to be transferred to internal management during 2011, which will increase the assets managed internally to approximately 50%.

CEM Benchmarking, Inc., recently issued a report that compared SWIB's 2009 costs to a custom peer group of 15 large U.S. public pension funds and found SWIB to be a low cost manager compared to its peers. CEM attributed most of the cost savings to SWIB's greater use of internal asset management and lower fees paid to external asset managers for similar assets.

We hope this report gives you a clear picture of external expenditures associated with the trust funds' management. Please contact me, however, if you have any questions or comments about the report.

Sincerely,



Keith Bozarth
Executive Director

Attachments

cc: Members, Joint Committee on Finance
Members, Joint Committee on Audit
Robert Lang, Legislative Fiscal Bureau
Janice Mueller, Legislative Audit Bureau

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges to All Funds Under Management - Accrual Basis
Quarter Ending December 31, 2010

Charge Category	Service Provided	Charges
Custodial and Banking Fees		
Bankers' Bank	Wisconsin CD Program	\$5,000
BNY Mellon	Master Custody Services	113,219
Total Custodial and Banking Fees		118,219
Legal Fees, Services and Expenses		
Chapman & Cutler	Multi-asset Investment Transactions	13,374
Foley & Lardner	Legal Agreements with Investment Managers	50,027
Total Legal Fees, Services and Expenses		63,401
Investment Counsel		
Advent Software, Inc.	Research Management System	42,240
Alberdon International	Financial Market Data	3,201
BCA Publications	Global & Domestic Fixed Income Strategy Research	24,999
BioCentury Publications	Biotech Stock News	1,248
Bloomberg, LP	Market, Company, Industry & Benchmark Information	301,021
Callan Associates Inc.	Global Custodian Search	35,000
CanDeal.ca Inc.	Canadian Government Bond Trading Service	1,050
Charles River Systems, Inc.	Portfolio Management Software	94,382
Cliffwater LLC	Hedge Fund Investment Consulting	137,500
Connexiti LLC	Supply Chain Data	(1,250)
Council of Institutional Investors	Corporate Governance	7,500
Courtland Partners	Performance Monitor Reporting	71,250
Covenant Review, LLC	Corporate Bond Research	3,750
Credit Sights	Credit Assessments	18,750
Data Broadcasting Corporation - CMS Bond Edge	Pricing Service	11,835
Data Explorers Limited	Securities Lending Analysis	3,315
Davis Mendel & Regenstein, Inc.	Online Investment Reports	11,250
Dow Jones & Co	Company and Industry News Service	10,866
Elsevier Business Intelligence	Prescription Pharmaceutical Industry Data	3,040
Ennis, Knupp & Associates	Manager Monitoring/Searches, Fiduciary & Governance Consulting	46,250
Factset Data Systems	Financial & Economic Database	96,397
Financial Tools, Inc.	Financial Statement Spreadsheet Software License	324
Fitch Info., Inc.	Credit Rating Service	20,170
FX Alliance LLC	Electronic Platform for Trading Foreign Currencies	(317)
Gartner, Inc.	Tech Sector Specific Research	10,625
Gimme Credit	Credit Research	4,938
Groom Law Group, Chartered	Fiduciary Counsel	5,483
Haver Analytics	Global Macroeconomic Research	17,049
iMoneyNet, Inc	Money Market Fund Database	12,156
Institutional Investor	Global Fixed Income Institute Membership	7,077
Investor Responsibility & Support Services, Inc	Securities Class Action Support	8,751

Charge Category	Service Provided	Charges
ITG Solutions Network Inc.	Trading Transaction Cost Analysis	18,750
Jefferson Wells International	Risk Advisory Services	369
KPA Advisory Services	Investment Organization Research	1,125
Lombard Street Research	Global Economic Analysis	16,373
London Stock Exchange PLC	London Stock Exchange Data	7,367
Market Axxess Corporation	Bond and Yield Pricing	600
Market Data Services Ltd. (MDSL)	Market Data Management System	12,163
McLagan Partners	Investment Compensation Comparison	21,250
Moody's Analytics, Inc.	Economic, Currency & Bond Analysis	19,235
Morgan Stanley Capital International	Developed Markets Security Data	42,647
Morningstar, Inc.	Benchmark & Performance Data	534
National Bureau of Economic Research Inc.	Economic Conditions and Asset Returns Data	468
National Council of Real Estate Investment Fiduciaries	Real Estate Performance	627
New England Pension Consulting, LLC (NEPC)	Investment Strategy Consulting	4,366
New York Stock Exchange	New York Stock Exchange Data	7,383
Omgeo	Post Trade Settlement Information	5,459
Options Price Reporting Authority (OPRA)	Quote System for Options Market	132
PerTrac	Fund of Funds Analytical Platform	6,652
Pivot Inc.	Trade Desk Collaboration Services	2,250
Platts	European Power Markets Research	636
Prequin	Real Estate Online Database	1,080
Property & Portfolio Research	Real Estate Consulting & Electronic Services	27,501
QTI Professional Staffing, Inc	Investment Staff Recruitment Consulting	12,615
Quantitative Services Group LLC	Access to Quantitative Data	32,500
RiskMetrics Group	Volatility and Correlation Data/Proxy Voting Analysis	39,050
Roubini Global Economics, LLC	Macro Research	7,500
Russell Investment Group	Index Data Feeds	7,500
Salomon Analytics Yield Book	Fixed Income Portfolio Risk & Optimization Modeling/Analysis	15,000
SNL Financial	Customized Analysis of Bank Investments	11,250
Standard & Poor's	Industry & Corporate Research	72,504
StepStone Group LLC	Private Equity Consulting	300,000
Strategic Economic Decisions	Research Reports	6,251
Strategic Investment Solutions, Inc.	Asset Allocation & Benchmark Consulting	70,000
StreetAccount LLC	Tracks Portfolio and Historical Information	1,650
Telsey Advisory Group	Consumer Sector Research	31,251
The Corporate Library	Proxy Voting Research Data	4,875
The Markets.com	Detailed Research Service	5,907
The World Markets Company PLC	Closing Spot and Closing Forward Rates	2,085
Thomson Financial Services	Electronic Research Pricing (Autex, Baseline, FirstCall)	96,730
Toronto Stock Exchange	Market Data/Traders	3,508
Trade Web	On-Line Fixed Income Trading Service	7,800
Tradeweb Markets, LLC	Electronic Research Pricing	1,000
Wilshire Associates	Performance Measurement, Portfolio Management & Analytics	108,800
Wolfe Trahan & Co	Transportation and Macro Research	7,500
World Bank Publications	Historical Emerging Market Countries Macroeconomic Data	192
Total Investment Counsel		\$2,062,457

Charge Category	Service Provided	Charges
Real Estate Investment Management Services		
Archstone - Smith Trust	Real Estate Management Services	208,353
Berkshire Property Advisors, LLC	Real Estate Management Services	368,302
Blackstone Management Partners VI LLC	Real Estate Management Services	562,500
Bristol Group, Inc.	Real Estate Management Services	78,042
BVP Managers, LLC	Real Estate Management Services	365,742
Callahan Capital	Real Estate Management Services	355,608
Capital Trust	Real Estate Management Services	242,678
Centerline Capital Group	Real Estate Management Services	(173,248)
Cornerstone Real Estate Advisors	Real Estate Management Services	224,411
Essex VFGP	Real Estate Management Services	125,000
Fortress Investment Corp.	Real Estate Management Services	1,085,720
Goldman Sachs & Co.	Real Estate Management Services	35,348
Guggenheim Structured Real Estate Advisors, LLC	Real Estate Management Services	65,424
Hawkeye Partners LP	Real Estate Management Services	95,524
Heitman Capital Management Corp.	Real Estate Management Services	25,620
Henderson Global Investors (North America) Inc.	Real Estate Management Services	300,345
Hudson Advisors	Real Estate Management Services	336,338
Invesco Realty Advisors, Inc.	Real Estate Management Services	208,938
JP Morgan Investment Management	Real Estate Management Services	1,066,879
Kensington Realty Advisors	Real Estate Management Services	87,894
Koll Bren Realty Advisors	Real Estate Management Services	9,880
KTR Capital Partners	Real Estate Management Services	556,677
Landmark Realty Advisors	Real Estate Management Services	2,113
Lazard Freres	Real Estate Management Services	86,425
Lowe's Structured Real Estate	Real Estate Management Services	113,263
Mesa West Capital LLC	Real Estate Management Services	732,470
MMA Realty Capital	Real Estate Management Services	2,786
Morgan Stanley	Real Estate Management Services	202,776
Northwestern Mutual Life	Real Estate Management Services	6,086
Prudential (senior housing)	Real Estate Management Services	126,259
Rockpoint Group LLC	Real Estate Management Services	191,946
Rockspring Property Investment Managers	Real Estate Management Services	105,146
RREEF	Real Estate Management Services	393,269
Security Capital	Real Estate Management Services	217,925
Sentinel Realty Advisors Corp.	Real Estate Management Services	52,325
Westbrook Real Estate	Real Estate Management Services	750,518
Total Real Estate Investment Management Services		39,215,482
Private Equity Management		
Advent International GPE VI, L.P.	Private Equity Management	185,000
Alta Communications IX, LP	Private Equity Management	178,600
American Securities Opportunities Fund II, L.P.	Private Equity Management	327,100
American Securities Opportunities Fund, LP	Private Equity Management	174,800
American Securities Partners V, L.P.	Private Equity Management	354,000
Ampersand Ltd Partnership	Private Equity Management	83,100
Apollo European Principal Finance Fund, L.P.	Private Equity Management	435,000

Charge Category	Service Provided	Charges
Apollo Investment Fund VII, L.P.	Private Equity Management	465,800
Ares Corporate Opportunities Fund II, LP	Private Equity Management	(3,500)
Ares Corporate Opportunities Fund III, L.P.	Private Equity Management	370,400
Avalon Ventures IX, LP	Private Equity Management	149,400
Avenue Europe Special Situations Fund, L.P.	Private Equity Management	310,800
Avenue Special Situations Fund V, L.P.	Private Equity Management	267,200
Avenue Special Situations Fund VI, L.P.	Private Equity Management	67,000
Baird Venture Partners	Private Equity Management	72,200
Baird Venture Partners III	Private Equity Management	156,000
BC European Capital	Private Equity Management	44,800
Bear Stearns	Private Equity Management	37,700
Bear Stearns Merchant Capital	Private Equity Management	552,600
Birch Hill Equity II	Private Equity Management	15,600
Blackstone Management Partners V LLC	Private Equity Management	324,600
Boston Millennia	Private Equity Management	93,300
Bridgepoint Europe III A LP	Private Equity Management	224,200
Bridgepoint Europe IV, L.P.	Private Equity Management	399,500
Callius Partners IV, L.P.	Private Equity Management	250,000
Capital Res Partners IV LP	Private Equity Management	33,700
Capital Resource Lenders III	Private Equity Management	9,600
Carlyle Partners IV, LP	Private Equity Management	62,900
Carlyle Partners V, L.P.	Private Equity Management	289,900
Cerberus Institutional Partners LP	Private Equity Management	353,800
Charterhouse	Private Equity Management	44,200
Charterhouse Capital Partners IX, L.P.	Private Equity Management	516,200
Charterhouse VIII	Private Equity Management	142,500
Clessidra Capital Partners II	Private Equity Management	196,200
Coller International	Private Equity Management	84,900
Coller International V LP	Private Equity Management	187,500
Cortec Group Fund V, L.P.	Private Equity Management	38,400
CVC European Equity Partners IV	Private Equity Management	114,800
CVC European Equity Partners Tandem Fund	Private Equity Management	12,200
CVC European Equity Partners V, L.P.	Private Equity Management	438,800
Cypress Advisors, LP	Private Equity Management	20,200
DAG Ventures IV, LP	Private Equity Management	44,300
Doll Technology Invst Fd II LP	Private Equity Management	15,000
Drug Royalty II, S.ar.I.	Private Equity Management	188,000
El Dorado Ventures	Private Equity Management	124,200
EQT V, L.P.	Private Equity Management	206,500
Essex Woodlands Hlth Venture V	Private Equity Management	(58,800)
Fortress Invest Fund II LLC	Private Equity Management	7,800
Fortress Invest Fund IV (Coinvestment Fund A) LP	Private Equity Management	72,100
Fortress Invest Fund IV (Fund A) LP	Private Equity Management	103,600
Fortress RIC	Private Equity Management	22,300
Fortress V	Private Equity Management	199,800
Fortress V Coinvestment	Private Equity Management	70,300
Frazier	Private Equity Management	201,000
Friedman Fleischer & Lowe Capital Partners III,	Private Equity Management	792,000

Charge Category	Service Provided	Charges
L.P.		
Glide Buy-Out Fund IV, C.V.	Private Equity Management	47,300
Graphite	Private Equity Management	374,900
Green Credit Investors, L.P.	Private Equity Management	414,000
Green Equity Partners V	Private Equity Management	260,200
GS Special Opptys Asia Fd LP	Private Equity Management	1,700
Hamilton Lane Co-Investment Fund II, L.P.	Private Equity Management	(122,500)
Harbourvest International	Private Equity Management	107,800
Hellman & Friedman Capital Partners VII, L.P.	Private Equity Management	264,900
Hellman & Friedman Capital VI	Private Equity Management	588,100
IGP II	Private Equity Management	5,300
Insight Equity II, L.P.	Private Equity Management	214,100
Insight Equity Mezzanine I, L.P.	Private Equity Management	56,300
Kelso Investment VII LP	Private Equity Management	78,300
Kelso VIII	Private Equity Management	375,000
KKR 2006 Fund LP	Private Equity Management	436,000
KKR European Fund III, L.P.	Private Equity Management	259,000
KKR European II	Private Equity Management	147,800
Kohlberg Investors VI, LP	Private Equity Management	363,800
Kohlberg Kravis Roberts & CO	Private Equity Management	(7,300)
KRG Capital Fund IV - A, L.P.	Private Equity Management	43,800
KRG Capital Fund IV, L.P.	Private Equity Management	219,000
Lake Pacific I Gladson, LLC	Private Equity Management	110,000
Lake Pacific Partners, LLC	Private Equity Management	110,000
Lindsay Goldberg and Bessemer II	Private Equity Management	314,900
Lindsay Goldberg III, LP	Private Equity Management	445,100
Lone Star Fund IV LP	Private Equity Management	7,500
Lone Star Fund VI	Private Equity Management	104,800
Lone Star Fund VII	Private Equity Management	393,800
Mason Wells Partners I, LLC	Private Equity Management	61,700
Mayfield XI LP	Private Equity Management	23,700
Merit Mezzanine Fund V, L.P.	Private Equity Management	220,400
Montreux Equity Partners IV, L.P.	Private Equity Management	96,000
New Mountain Partners III, L.P.	Private Equity Management	245,300
Northwestern Mutual Capital Mezzanine Fund I, L.P.	Private Equity Management	173,700
Oak Investment Partners XII, LP	Private Equity Management	223,200
Oak Investment Partners XIII, LP	Private Equity Management	166,000
OCM Opportunities Fund VII	Private Equity Management	43,300
OCM Opportunities Fund VIIb, L.P.	Private Equity Management	154,100
Old Lane India Opportunities Fund-T, LP	Private Equity Management	90,400
Peninsula Fund IV LP	Private Equity Management	123,400
Peninsula Fund V L.P.	Private Equity Management	203,900
Penninsula Fund	Private Equity Management	51,600
Pomona Capital	Private Equity Management	93,800
Pomona Capital VII, L.P.	Private Equity Management	174,400
Providence Equity Partners VI, LP	Private Equity Management	325,500
Providence TMT Special Situations Fund	Private Equity Management	139,300
Providence TMT Special Situations Fund II	Private Equity Management	46,700

Charge Category	Service Provided	Charges
Providence V	Private Equity Management	66,000
Riverstone/Carlyle GE&P IV	Private Equity Management	324,600
SAIF Partners IV, L.P.	Private Equity Management	143,500
Seaport Capital Partners II	Private Equity Management	10,700
Segulah IV, L.P.	Private Equity Management	117,400
Sheridan Production Partners II-B, L.P.	Private Equity Management	281,300
SKM Equity Fund III, LP	Private Equity Management	20,300
Sprout	Private Equity Management	200
Sterling Group Partners III, L.P.	Private Equity Management	237,500
TA X	Private Equity Management	93,400
TA XI	Private Equity Management	213,500
TAC 2007, L.P.	Private Equity Management	38,700
TCV VII	Private Equity Management	281,200
Thomas H Lee Manager's V, LLC	Private Equity Management	12,200
Thomas Lee VI	Private Equity Management	186,000
TowerBrook Investors III, L.P.	Private Equity Management	192,200
TPG Partners V, LP	Private Equity Management	86,100
TPG Partners VI, LP	Private Equity Management	544,300
Trident IV, L.P.	Private Equity Management	130,800
Trident V, L.P.	Private Equity Management	281,300
Venture Investors Early Stage Fund IV	Private Equity Management	156,300
Vista Equity Partners Fund III, L.P.	Private Equity Management	141,600
Warburg Pincus Private Equity IX, L.P.	Private Equity Management	399,900
Warburg Pincus Private Equity X, L.P.	Private Equity Management	50,200
Waterland Private Equity Fund IV, C.V.	Private Equity Management	204,800
Wayzata Opportunities Fund II	Private Equity Management	437,500
Windpoint Partners V LP	Private Equity Management	84,500
Windpoint Partners VI LP	Private Equity Management	4,200
Windpoint Partners VII, LP	Private Equity Management	224,500
Total Private Equity Management		\$23,003,600
Commingled Account Public Market Management Fees		
BlackRock Institutional Trust Company N.A.	Quantitative/Enhanced & Index Fund Management	1,907,449
Boston Company, The	Equity Emerging Market Management	1,720,677
Callan Associates Inc.	Fund-of-Funds Small Cap Equity Management	924,619
Capital Guardian Trust Company	Global High Yield Fixed Income Management	532,103
Grantham, Mayo, Van Otterloo	Fixed Income Emerging Market Management	377,270
T. Rowe Price Trust Company	Equity Emerging Market Management	2,191,865
UBS Global Asset Management	Multi-Asset Management	713,669
Total Commingled Account Public Market Management Fees		\$9,367,652
Separate Account Public Market Management Fees		
Aberdeen Asset Management	Global Fixed Income/Emerging Active Management	692,241
Acadian Asset Management	International Equity Active Management	1,616,524
Alliance Bernstein	International Equity Active Management	309,933
American Century Investments	International Equity Active Management	620,026
Brandywine Asset Management	Global Fixed Income Active Management	173,640
Bridgewater Associates	Global Fixed Income Active Management/Inflation Protection	1,174,771
Dodge & Cox	US Credit/Government Bond Management	283,333

Charge Category	Service Provided	Charges
Ell Realty Services, Inc.	Real Estate Investment Trusts	289,228
Intech Investment Management	Large Cap Growth Management	944,733
JP Morgan Investment Management	Global Equity Management	653,407
Loomis, Sayles & Co.	High Yield Fixed Income Active Management	545,827
LSV Asset Management	International Equity Active Management	64,486
Morgan Stanley Asset Management	International Equity Active Management	1,164,926
Pyramis Global Advisors Trust Company	International Equity Active Management	1,066,051
RREEF America LLC	Real Estate Investment Trusts	232,995
Shenkman Capital	High Yield Fixed Income Active Management	390,664
Standish Mellon Asset Management LLC	Cash Management Service	209,364
Stone Harbor Asset Management	Emerging Market Fixed Income Active Management	553,188
Total Separate Account Public Market Management Fees		\$40,989,336

Total Quarterly Charges to Funds

\$54,105,974

**Fees paid to fund managers are established as a percentage of the capital committed. As assets in a fund are sold, the management fees paid are typically reimbursed from the profits of the fund.*

***Expenses for private equity management fees are estimated and adjusted annually based upon committed capital or assets under management, determined by management contract terms. Total committed capital includes management fees. All capital contributions to the limited partnership must first be returned to the limited partners before any incentive fees are paid to the general partner.*

Explanations of Direct Charges

Custodial & Banking Fees

Wisconsin Certificate of Deposit Program: Under a contract with SWIB, Bankers' Bank administers the program under which the State Investment Fund (SIF) purchases certificates of deposit from Wisconsin-based banks and thrifts. Most administrative costs are paid by the participating banks. SWIB's expenses are \$2,500 per quarter to help underwrite other administrative costs, such as insurance that SWIB requires to be purchased.

BNY Mellon: Provides master custody services (safekeeping of assets, income collection, valuations and accounting) for public and private domestic and foreign securities in the Wisconsin Retirement System (WRS), the SIF and the smaller funds. In addition, SWIB receives performance measurement and analytical services from BNY Mellon Analytical Solutions through its custodial contract with BNY Mellon, which serves as the official book of record for SWIB's accounting and performance measurement functions. BNY Mellon provides the data and analytical tools used by SWIB for compliance and risk management. Fees for these services are established by contract.

US Bank: The State of Wisconsin has contracted with US Bank to be the state's working bank. The fees paid to US Bank by the SIF reflect bank service charges that are not directly applicable to the fund participants. These fees are distributed to the fund participants through the monthly SIF earnings process.

Legal Fees, Services and Expenses

Under authority delegated by the Attorney General, pursuant to s. 25.18 (1) (a) Statutes, SWIB may employ legal counsel for any matters arising out of the scope of its investment authority. This includes legal services relating to bankruptcies, class actions, private markets transactions, fiduciary advice, securities law, investment litigation, and other similar matters. Capitalized fees incurred during the asset acquisition process are reported separately as a charge against the value of the asset. The Attorney General annually reviews and approves a list of law firms to provide investment legal services for SWIB and reviews related legal fees.

Investment Counsel

Current law gives SWIB the authority to employ investment counsel in any matters arising out of the scope of its investment authority. Investment research and services provided include global market, industry, economic and company information, financial and performance analytics, news information, pricing and exchange data, credit ratings, financial modeling, economic forecasting, trading services and a variety of Board consultations. These services enable SWIB to perform due diligence on current and future holdings and assist in monitoring investments.

Real Estate Investment Management Services

SWIB hires real estate advisors to assist with sourcing analysis, due diligence and management of real estate investments. SWIB also invests in funds, typically limited partnerships. Each fund either has a general partner or engages a fund manager with delegated authority to make real estate investments for the fund. Real estate advisory fees are usually based on a percentage of assets under management. Fees paid to fund managers are established as a percentage of the capital committed. As assets in a fund are sold, the management fees paid are typically reimbursed from the profits of the fund.

Private Equity Management Fees

SWIB invests in private equity funds, typically limited partnerships that in turn make individual private equity investments. Each fund is managed by its general partner or fund manager with delegated authority. Fees are established as a percentage of the capital committed to each fund or partnership. As assets in a fund are sold, the management fees are typically reimbursed from the profits of the fund.

Public Market Active Management Fees

Within broad guidelines established by SWIB, these managers have been delegated authority to determine strategy and purchase securities in SWIB's name under a separate and distinct account. This relationship is used primarily in the management of international equity and fixed income investments. Fees are typically assessed as a percentage of the market value of assets under management and may include other factors.

BNY Mellon invests the cash from the externally managed portfolios and internally managed global equity and fixed income portfolios that have yet to be invested in stocks or bonds. Due to settlement times around the globe, these funds cannot be effectively managed in the State Investment Fund. The fees are negotiated as part of the custodial contract.

Indexed, Enhanced and Commingled Fees

SWIB has investments in a number of externally managed funds that seek to replicate the returns of a particular public market index (such as the Russell 1000) or seek to enhance the return from a particular public market index through the use of quantitative models or other strategies. SWIB's investments are commingled with other investors, and the underlying securities are owned in the name of the fund manager. Fees are typically based on a percentage of assets under management and may include other factors, such as performance.

Asset Specific Charges

Asset specific charges include expenses that are directly associated with the ongoing activity of an asset such as appraisals or bankruptcy costs. Unlike other expenses reflected in this report, these expenses are netted in gross returns of the asset, consistent with standard industry practices.

STATE OF WISCONSIN INVESTMENT BOARD
 Report of Asset Specific Charges and Capitalized Legal Fees - Accrual Basis
 Quarter Ending December 31, 2010

Charge Category	Service Provided	Charges
Legal Fees, Services and Expenses		
Foley & Lardner	Private Markets Investment Transactions	\$7,249
Michael Best & Friedrich	Litigation & Private Markets Investment Transactions	1,063
Reinhart Boerner Van Dueren	Private Markets Investment Transactions	33,282
Robins, Kaplan, Miller & Ciresi L.L.P.	Legal & Accounting Litigation	68,036
Solheim, Billing & Grimmer SC	Private Markets Investment Transactions	192
Total Legal Fees, Services and Expenses		\$109,821

Total Asset Specific Charges **\$109,821**

Capitalized Legal Fees		
Foley & Lardner	Private Markets Investment Transactions	14,000
Michael Best & Friedrich	Litigation & Private Markets Investment Transactions	2,720
Reinhart Boerner Van Dueren	Private Markets Investment Transactions	24,082
Solheim, Billing & Grimmer SC	Private Markets Investment Transactions	<u>19,743</u>

Total Capitalized Legal Fees **\$60,544**

This table includes expenses that are capitalized at the time of acquisition or directly associated with the ongoing activity of an asset such as appraisals or bankruptcy costs. Unlike other expenses reflected in this report, these expenses are reflected in the value of the asset or netted in gross returns of the asset, consistent with standard industry practices.

**Wisconsin Retirement System Assets
Internal & External Management**

ATTACHMENT D

Wisconsin Retirement System (WRS)	3/31/2010		6/30/2010		9/30/2010		12/31/2010	
	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent
Internally Managed	\$33,338	44.8%	\$30,812	44.6%	\$34,341	45.6%	\$37,367	47.3%
Externally Managed Dedicated Accounts	13,395	18.0%	13,476	19.5%	15,321	20.3%	15,103	19.1%
Externally Managed Commingled Accounts	27,635	37.2%	24,861	36.0%	25,693	34.1%	26,596	33.6%
1. Passive Index Funds	12,646	17.0%	12,025	17.4%	11,549	15.3%	12,542	15.9%
2. Enhanced Index Commingled Funds	4,402	5.9%	2,188	3.2%	2,435	3.2%	1,800	2.3%
3. Limited Partnerships	6,076	8.2%	6,446	9.3%	6,888	9.1%	7,486	9.5%
4. Actively Managed Commingled Accounts	4,511	6.1%	4,203	6.1%	4,821	6.4%	4,768	6.0%
TOTAL WRS Assets	\$74,368	100.0%	\$69,150	100.0%	\$75,355	100.0%	\$79,067	100.0%